

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6910

BILL NUMBER: HB 1381

NOTE PREPARED: Jan 12, 2008

BILL AMENDED:

SUBJECT: Annexation.

FIRST AUTHOR: Rep. Bosma

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *Municipal Annexations*- The bill allows a municipality to initiate an annexation only if: (1) the territory is noncontiguous and occupied by a municipally owned or operated airport or landing field, sanitary landfill, golf course, or hospital or is to be used for an industrial park and is owned by the municipality or by a property owner who consents to the annexation; (2) the land is contiguous agricultural land and owned by a property owner who consents to the annexation; or (3) all property owners in the territory provide written consent to the annexation.

Annexation of Lakes and Ponds- The bill prohibits a municipality from annexing a lake or pond of at least 20 acres unless the entire boundary of the municipality surrounds the lake or pond.

Incorporation without Consent- The bill provides that territory may incorporate as a town without obtaining the consent of a city with a certain distance of its proposed boundaries, if the proposed town has an assessed value of at least \$750,000,000 as shown by the most recent assessment.

Moratorium on Certain Annexations- The bill prohibits a municipality from adopting an annexation ordinance, other than an ordinance petitioned for by landowners, after January 1, 2008, and before July 1, 2008.

Repealer- The bill repeals a provision that requires a town to obtain the consent of a city before annexing territory within three miles of the city.

Effective Date: January 1, 2008 (retroactive); July 1, 2008.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Municipal Annexations*- This provision would change the conditions under which a municipality could annex certain land areas. The provision could eliminate remonstrances filed against annexation, thereby reducing expenses for legal challenges and the amount of administrative time spent to process remonstrance paperwork and confirm signatures.

Annexation of Lakes and Ponds- As under *Municipal Annexations*, this provision could reduce annexations from occurring around certain lakes and ponds.

Moratorium on Certain Annexations- This provision would temporarily reduce municipal expenditures for legal proceedings between remonstrators and the annexing municipality.

Explanation of Local Revenues: *Incorporation without Consent*- This provision would make it easier for certain qualifying areas to incorporate if their AV is at least \$750 M. As a result, a new incorporated area would be able to levy property taxes and receive revenue from the land owners within the area. However, the newly created town may have to extend services to some or all of the area's citizens which would increase the town's expenditures.

Under current law, an area wishing to incorporate into a town must receive permission from the legislative body of a municipality if the area wishing to incorporate is within four miles of the boundaries of Indianapolis or within three miles of a second or third class city.

Local Option Income Tax Distributive Shares Implication- An area incorporating into a town, under the bill, would become eligible for a distributive share of local option income taxes, including CAGIT, COIT, and CEDIT. Shares are determined by the ratio of a unit's property tax levy to the remaining property tax levies in a county.

Therefore, LOIT shares for a new town would equal the percentage calculated from: [Property Tax Levy of New Town / Property Tax Levies of all Taxing Units in the New Town's County].

As a result, other civil taxing units eligible for LOIT shares, including the parent county, would on a percentage basis see their shares decline in order to accommodate the shares of a newly incorporated town.

State Agencies Affected:

Local Agencies Affected: Municipalities, counties, trial courts.

Information Sources: Auditor's data via State Budget Agency, *Indiana Handbook of Taxes, Revenues and Appropriations*.

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